INSOLVENT NATIONAL BANKS IN CITY AND COUNTRY.

THE only distinction made in the reports of the Comptroller of the Currency between city banks and country banks is in the classification of the returns from banks in "reserve" and "central reserve" cities, apart from the returns from banks located elsewhere. This does not afford the means for a strict comparison between city and country banks, for some cities which have a large banking business are not reserve cities, and other cities which are so classified are of relatively little commercial importance. An attempt has been made in this study to satisfy the desire for a better comparison of the relative situation of the banking business in the city and in the country, by regarding as city banks only those institutions which are situated in places of 60,000 or more inhabitants, and as country banks those institutions which are located in places of less than 60,000 inhabitants. It was felt, in determining upon this limit, that every commercial center of importance would be included in the city class, and at the same time not many places would be so classed that were of minor commercial rank.

As showing the relative conditions of the banking business in the city and in the country the following inquiry as to insolvent banks in our national system may be of interest. The banks taken for consideration are those which have failed and been placed in the hands of receivers since the establishment of our national banking system. As a basis for this study, tables have been prepared, classifying the failed banks according to their location in city or country. There is a total of 359 banks, 57 of which are classed as city banks and 302 as country banks.

Table I covers the period from 1865, when the first national bank failure occurred, to the close of the year 1898.[1] It includes the 32 city banks which failed and whose affairs were finally closed during that time. The number of failed banks during each period given is considered separately with reference to the principal items in their accounts. These 32 banks had an aggregate capital of $14,591,300, and assets of $54,573,656, from which there were collections to the amount of

[1] October 31, the end of the year covered by the report of the Comptroller of the Currency.

TABLE I.

INSOLVENT NATIONAL BANKS IN CITIES OF 60,000 OR MORE INHABITANTS, WHOSE AFFAIRS HAVE BEEN CLOSED.

Period	No.	Capital	Total nominal assets	Collections from assets	Amount of claims proved	Amount of claims paid	Per cent. of assets collected	Per cent. of claims paid
1865–1870	4	$1,200,000	$5,026,352	$2,677,281	$3,151,078	$2,332,375	53.26	74.00
1871–1875	11	5,050,000	16,636,398	8,267,727	9,616,007	6,674,420	49.70	69.40
1876–1880	9	4,680,000	10,488,055	4,705,569	4,501,388	4,109,162	44.88	91.31
1881–1885	3	1,561,300	6,810,420	3,077,411	5,948,150	3,746,278	45.20	62.98
1886–1890	3	1,400,000	4,145,773	2,411,776	1,320,663	1,335,028	58.17	100.00
1891–1892	1	400,000	10,217,192	6,917,993	7,602,341	6,854,775	67.71	90.17
1893	1	300,000	1,249,466	849,526	600,573	615,985	67.99	100.00
1894								
1895								
1896								
1897								
1898								
Totals	32	$14,591,300	$54,573,656	$28,907,283	$32,740,200	$25,668,023	52.97	78.43

Banks were located in the following cities: Washington (3), New Orleans (3), Brooklyn (1), New York (7), Philadelphia (1), Chicago (7), St. Louis (1), Kansas City (2), Newark (2), Buffalo (1), Boston (2), Cincinnati (1), and San Francisco (1).

TABLE II.

INSOLVENT NATIONAL BANKS IN PLACES OF LESS THAN 60,000, WHOSE AFFAIRS HAVE BEEN CLOSED.

Period	No.	Capital	Total nominal assets	Collections from assets	Amount of claims proved	Amount of claims paid	Per cent. of assets collected	Per cent. of claims paid
1865–1870	11	$1,230,000	$3,705,361	$1,084,189	$1,980,616	$892,686	29.26	45.07
1871–1875	13	1,781,100	3,871,343	1,544,546	2,670,988	1,356,673	39.90	50.79
1876–1880	34	3,421,500	8,754,390	3,383,419	4,092,832	3,359,690	38.65	82.08
1881–1885	15	1,685,000	8,710,697	4,581,367	6,083,942	4,401,643	52.60	72.35
1886–1890	27	2,050,000	7,127,959	3,392,572	4,217,321	3,094,463	47.60	73.37
1891–1892	24	1,947,000	5,316,840	2,415,599	2,376,008	1,816,171	45.43	76.44
1893	23	2,425,000	6,592,565	2,537,777	2,898,326	1,787,095	38.51	61.55
1894	9	1,075,000	2,800,410	937,595	951,082	534,542	33.48	56.27
1895	9	685,000	1,289,498	470,516	436,607	308,782	36.47	70.73
1896								
1897	4	250,000	640,116	234,509	193,225	174,040	36.64	90.05
1898								
Totals	169	$16,549,600	$48,809,179	$20,582,089	$25,900,947	$17,725,785	42.17	68.44

TABLE III.

INSOLVENT NATIONAL BANKS IN PLACES OF 60,000 OR MORE INHABITANTS, WHOSE AFFAIRS HAVE NOT YET BEEN CLOSED.

Period	No.	Capital	Total nominal assets	Collected from assets	Amount of claims proved	Amount of claims paid	Per cent. collected from assets	Per cent. claims paid
1865–1870								
1871–1875								
1876–1880	1	$750,000	$2,822,872	$1,652,381	$1,061,598	$1,071,774	58.54	100.00
1881–1885	1	400,000	6,753,454	4,271,541	4,631,393	3,753,346	63.25	81.00
1886–1890	2	1,300,000	9,223,334	3,667,960	5,474,535	3,604,321	39.77	65.84
1891–1892	2	1,250,000	4,700,904	708,040	4,463,619	853,656	15.06	19.10
1893	6	3,350,000	12,273,828	4,945,269	6,322,382	4,108,613	40.29	65.00
1894	2	500,000	2,218,915	480,988	1,284,400	324,420	21.68	25.10
1895	2	1,500,000	4,621,690	1,687,467	1,550,406	1,298,667	36.51	83.76
1896	2	300,000	1,195,986	279,345	647,191	94,501	23.35	14.60
1897	6	2,401,500	24,403,238	10,312,054	13,115,932	9,112,391	42.26	69.47
1898	1	500,000	3,285,715	1,337,622	1,777,848	800,032	40.53	45.00
Totals	25	$12,251,500	$71,499,936	$29,342,667	$40,329,304	$25,021,721	41.04	62.04

The situation of these banks was as follows: Chicago (4), New York (1), Cincinnati (1), St. Louis (1), Philadelphia (3), Lincoln (2), Nashville (1), Indianapolis (1), Denver (3), Detroit (1), Kansas City (2), New Orleans (2), Minneapolis (2), Louisville (1).

TABLE IV.

INSOLVENT NATIONAL BANKS IN PLACES OF LESS THAN 60,000, WHOSE AFFAIRS HAVE NOT YET BEEN CLOSED.

Period	No.	Capital	Total nominal assets	Collections from assets	Amount of claims proved	Amount of claims paid	Per cent. of assets collected	Per cent. of claims paid
1865–1870								
1871–1875	1	$50,000	$335,220	$87,689	$144,606	$67,491	26.16	46.67
1876–1880								
1881–1885	1	50,000	72,043	22,818	26,322	25,006	31.60	96.00
1885–1890	2	200,000	578,546	137,354	254,618	95,197	23.65	37.40
1891–1892	14	2,375,000	6,486,977	2,169,850	3,229,429	1,742,287	33.45	53.94
1893	24	3,135,000	10,558,470	3,898,726	4,143,618	2,493,829	36.93	60.18
1894	10	1,195,000	3,257,873	970,271	1,519,803	449,221	29.78	29.55
1895	24	2,750,020	8,448,200	2,780,150	4,127,834	1,694,875	32.90	41.05
1896	24	3,005,000	12,434,487	2,934,791	6,307,145	1,892,691	23.60	30.00
1897	27	3,100,000	12,064,015	4,147,161	5,876.588	2,889,454	33.63	49.17
1898	6	700,000	1,464,395	494,230	625,082	343,936	33.85	56.00
Total	133	$16,560,020	$55,700,226	$17,643,040	$26,255,045	$11,693,987	31.67	44.55

TABLE V.

INSOLVENT NATIONAL BANKS IN CITY AND COUNTRY, CAPITAL OF FAILED BANKS AND OF BANKS IN OPERATION.

Period	No. of city banks		No. of country banks		Per cent. of failed banks		Aggregate capital of city banks		Aggregate capital of country banks		Per cent. of capital involved in failures	
	In operation	Failed	In operation	Failed	In city	In country	In operation	Failed	In operation	Failed	In city	In country
							000,000 omitted		000,000 omitted			
1865*	†			1						$ 50,000		
1866–1870	267	4	1365	10	1.50	.73	$204.3	$ 1,200,000	$222.4	1,180,000	0.59	0.53
1871–1875	278	11	1676	14	3.95	.85	219.3	5,050,000	267.3	1,831,100	2.29	0.68
1876–1880	293	10	1779	34	3.41	1.91	203.1	5,430,000	268.2	3,421,500	2.67	1.28
1881–1885	342	4	2112	16	1.17	.76	220.5	1,961,300	281.1	1.735,000	0.89	0.62
1886–1890	424	5	2750	29	1.18	1.05	262.7	2,700,000	333.7	2,250,000	1.04	0.67
1891–1892	501	3	3224	38	.60	1.18	303.9	1,650,000	378.1	4,322,000	0.54	1.14
1893	514	7	3267	47	1.36	1.44	307.3	3,650,000	371.2	5,560,000	1.19	1.50
1894	521	2	3234	19	.38	.58	309.6	500,000	359.3	2,270,000	0.16	0.64
1895	522	2	3190	33	.38	1.03	306.1	1,500,000	351.1	3,435,020	0.49	0.98
1896	517	2	3159	24	.38	.76	302.8	300,000	345.7	3,005,000	0.10	0.87
1897	516	6	3094	31	1.16	1.00	298.0	2,401,500	333.4	3,350,000	0.81	1.00
1898*		1		6				500,000		700,000		
		57		302				$26,842,800		$33,109,620		

*Data are lacking for these years, but the number and amount of capital of the failures indicate nothing unusual, save the small percentage involved in failures.

† The figures for the columns headed "In operation" are taken from the report made on the date nearest October 1 of each year. The average is taken when the period covers more than one year.

TABLE VI.

CAUSES OF FAILURE OF INSOLVENT NATIONAL BANKS, CLASSIFIED AS TO THEIR LOCATION IN CITY OR COUNTRY.

	Total number of failures	Number of failures in city	Number of failures in the country	Per cent. of failures in the city	Per cent. of failures in the country
1. Defalcation of officers	4	1	3	1.75	.99
2. Defalcation of officers and fraudulent management	22	5	17	8.77	5.63
3. Defalcation of officers and excessive loans to others	1	1	0	1.75	0.00
4. Defalcation of officers and depreciation of securities	2	0	2	0.00	.66
5. Depreciation of securities	13	2	11	3.51	3.64
6. Excessive loans to others, injudicious banking, and depreciation of securities	21	7	14	12.28	4.63
7. Excessive loans to officers and directors and depreciation of securities	21	1	20	1.75	6.62
8. Excessive loans to officers and directors, and investments in real estate and mortgages	8	0	8	0.00	2.65
9. Excessive loans to others and depreciation of securities	4	0	4	0.00	1.32
10. Excessive loans to others and investment in real estate and mortgages	5	0	5	0.00	1.66
11. Excessive loans and failure of large debtors	2	0	2	0.00	.66
12. Excessive loans to officers and directors	4	0	4	0.00	1.32
13. Failure of large debtors	4	2	2	3.51	.66
14. Fraudulent management	11	1	10	1.75	3.31
15. Fraudulent management, excessive loans to officers and directors, and depreciation of securities	15	3	12	5.26	3.97
16. Fraudulent management and depreciation of securities	12	2	10	3.51	3.31
17. Fraudulent management and injudicious banking	25	5	20	8.77	6.62
18. Fraudulent management, defalcation of officers, and depreciation of securities	8	0	8	0.00	2.65
19. Fraudulent management, injudicious banking, investment in real estate, and mortgages, and depreciation of securities	7	1	6	1.75	1.99
20. Fraudulent management, excessive loans to officers and directors, and excessive loans to others	11	3	8	5.26	2.65
21. Injudicious banking	21	5	16	8.77	5.30
22. Injudicious banking and depreciation of securities	58	11	47	19.30	15.55
23. Injudicious banking and failure of large debtors	16	1	15	1.75	4.97
24. Investments in real estate and mortgages, and depreciation of securities	13	1	12	1.75	3.97
25. General stringency of money market, shrinkage in values, and depreciation of securities	41	5	36	8.77	11.92
26. Wrecked by the cashier	10	0	10	0.00	3.31
Totals	359	57	302	100.00	100.00

$28,907,283, or 52.97 per cent., besides payments of $25,668,023 on $32,740,200 of claims proved, or 78.43 per cent.

Table II gives a similar statement for the 169 insolvent country banks, in our national system, which likewise have been finally closed.

The combined capital involved in these failure amounts to $16,549,-600, with assets of $48,809,179, from which collections were made to the amount of $20,582,089, or 42.17 per cent., and payments of $17,725,785 on $25,900,947 of proved claims, or 68.44 per cent.

Table III gives the record of twenty-five insolvent city banks whose affairs have not yet been finally closed, distributed according to the time of failure during the same periods, with the same principal items. The total capital involved is $12,251,500, with assets of $71,499,936, from which there have been collections to the amount of $29,342,667, or 41.04 per cent., and payments of $25,021,721 on $40,329,304 of proved claims, or 62.04 per cent.

Table IV shows the similar status of 133 insolvent country banks not yet finally closed by the receivers. The combined capital is $16,560,020, with assets of $55,700,226, from which collections have been made to the amount of $17,643,040, or 31.67 per cent., and payments of $11,693,987 on $26,255,045 of proved claims, or 44.55 per cent.

Table V gives the number of banks in operation during the same periods, and the number of insolvent banks both in the country and in the city, with the percentages for each period, and also the aggregate amount of capital involved in failures compared with the amount in operation in country and city banks, with percentages again for each class during the same periods.

Table VI is a record of the causes of failure of the 359 banks considered in Tables I–IV. The number of failures due to each of the twenty-six causes and the division of that number among city and country banks, with the corresponding percentages, are found in separate columns of this table.

From this preliminary and somewhat cursory survey of the statistical material which is the basis of this paper little is gained except a familiarity with the data. To discover its real significance a closer inspection of the tables is necessary. This means a more or less detailed examination of the material presented.

1. Compare Tables I and II. The aggregate capital of the country

banks is larger than that of the city banks. But the assets of the latter are considerably larger than those of the former, and the same holds true of the proportion of collections on the assets. The percentages of collections to the total nominal assets are 52.97 for the city and 42.17 for the country banks. Also, in regard to the claims proved, the absolute amount is higher in the city, and yet relatively the payment of these claims is accomplished with results much more satisfactory in the case of the city than in that of the country banks. In the former class the percentage is 78.43, while in the latter it is but 68.44. In every period covered by these tables, save one, the percentages are better for the city than for the country banks. But this exception is entirely overbalanced in the totals. According to these tables the city banks stand the better test.

Likewise compare Tables III and IV. There are twenty-five city banks here against 133 country banks. Again the capital involved is larger in the country banks. The assets of the city banks are very large and far exceed those of the country banks; but the collections from these assets show that they are of a much better character in the former than in the latter associations. The relative percentages are 41.04 in the city and 31.67 in the country banks. While the claims proved are much larger in amount in the city than in the country banks, the payment of these claims is accomplished more successfully in the former than in the latter class. The percentages show a great disparity, being 62.04 in the case of the city banks as against 44.55 in that of the country banks. These tables are decisively favorable to the city institutions, and the relative advantage here is greater than in Tables I and II. There are some very bad city failures in Table III, so that in several instances the percentages are lower in that table than those for the corresponding period in Table IV; but the bad failures in the country are in most cases hidden by the great number, among which there are many of relatively good standing. But the final results here show that the advantage is decidedly on the side of the city banks, as in the previous comparison.

By combining Tables I and III and comparing with them Tables II and IV, taken together, we get the showing of all the city failures against all the country failures. The capital involved is, of course, greater in the country than in the city banks, the amounts being for the fifty-seven insolvent institutions of the latter class \$26,842,800 and for the 302 like concerns of the former class \$33,109,620. The total

nominal assets of the city banks are $126,073,592 and of the country banks $104,509,405, from which collections have been made to the amounts of $58,249,950 and $38,225,129 respectively, or a percentage of 46.23 for the city against a percentage of 36.58 for the country banks. The total claims proved are $73,069,504 and $52,155,992 for city and country respectively on which payments have been made to the amounts of $50,689,744 and $29,419,772, *i. e.*, 69.37 per cent. for the city and 56.47 per cent. for the country banks.

These results are uniformly favorable to the city banking associations. They have the safer management, if we may judge anything from the history of insolvency in our national banking system. Not only is the amount of capital of insolvent banks less in the city than in the country banks, but the character of assets held is also much better in the former than in the latter, so that the results of liquidation are much more satisfactory, relatively, to the creditor of a city than to the creditor of a country bank.

In Table VI we observe that injudicious banking is a frequent cause of failure, particularly among city banks, but we have seen that the results are less disastrous in the failures of city than in those of country banks. Excessive loans have entered in as a frequent cause of failure, but among country banks in relatively many more cases. The implication is that the bank is used as a means of exploiting business with dangerous results, especially in rural districts. While defalcation and fraud have been proportionally higher in the city, the effects have not been so bad upon liquidation, although the opportunities for such crimes are probably better in city banks, and the temptation is undoubtedly stronger in large institutions. Depreciation of securities is a cause of failure, more frequent among country than among city associations. The ill-fated "booms" of some of the new western towns may explain this in some measure. Stringency has had less effect upon city than upon country banks. "Wrecked by the cashier" has been the cause assigned for 3⅓ per cent. of the country failures, but this officer has never ruined a national bank in a city.

The record of Table VI is again generally in favor of the city banks, and it now seems safe to say that the management of city banks has been conducted more carefully, or at least in such a manner that when failure came liquidation proceeded with better results than in the case of the country banks. And it might be naturally expected that

such would be the case. The large institutions are of course able to pay higher salaries and so to secure men of greater ability. The requirements made upon those who undertake the conduct of the business are more fully met by the officers of the city banks. Those who supervise the affairs of banks are, in country places, frequently deficient in this element of personal ability. The confidence of the customers of the city banks in the business integrity of those in authority seems not to have been badly misplaced. It is to be feared that too little knowledge of the fundamental principles of sound banking is often had by the country banker.

2. Not only do the city banks, in general, conduct a safer business but the largest city banks are usually the most carefully managed. In Table V, comparing the amount of capital of the city failures with the amount of capital in operation, it is found that for most of the periods, the amount involved in the average failure falls below that of the average city bank in operation. Thus the capital of the fifty-seven city banks that have failed is in the aggregate $26,842,800, an average of about $471,000. This amount is less than the average capital of the city banks in operation at any period of the history of the system. It cannot be said with surety that the same would be true of the assets, but probably such would be the case, as a reference to Tables I and III seems to indicate that most of the failures in city banks have been among the class that had small assets. At any rate, those failures where the assets were largest have usually given the most satisfactory results upon liquidation, so that there seems to be warrant for the assertion that the largest banks do the safest business.

In this connection some notable exceptions are to be made, such as the case of the famous Keystone National Bank of Philadelphia, which carried down the Spring Garden National Bank. These institutions were not of the largest class, but were above the average. Another exception is the case of the Fidelity National Bank of Cincinnati. But against these may be cited the instances of the Ocean National Bank of New York, the National Bank of the State of Missouri, and the Maverick National Bank of Boston, or the National Bank of Illinois, which is liquidating more satisfactorily than some of its smaller neighbors.

The comptroller has, for purposes of his own, with which this study has no connection, prepared some tables that give material of value for

this paper.[1] In the *Report* of the Comptroller of the Currency for 1898, are tables giving the records of 195 insolvent banks, which had failed and whose affairs had been finally closed previous to May 1898. In one of these tables the arrangement of failures according to the amount of capital involved is of use on the point in question. A reference to that table will reveal the fact that the character of the assets held is best among banks with capital of $200,000 or over, and the percentage of collections from assets is higher where the capital is larger up to the limit of $500,000. In six banks of capital above that amount the percentage falls below, but an examination of these six cases shows that the banks with the smallest amount of capital are the weakest. The exception of this small group of banks does not seriously affect the general statement that the largest banks as a class have proved the safest. It is to be noted that the percentage of claims paid is higher in this group of six banks than in any other, so the creditors of that class of banks have been better off than those of any other class. The ratio of payments of claims to claims proved descends with the lowering of the amount of capital involved, and at about the same rate.

A consideration of Table III will show that the worst failures are usually among the banks of the smaller class of city associations. This has been especially true of western cities. In view of the facts brought forward, the statement appears to be correct, that the large city bank is safer than its smaller competitors just as the city bank is safer than the country bank. Bank failures are also less disastrous in old communities than on the commercial frontier. There will be found, in connection with the table already mentioned, in the comptroller's *Report* for 1898, another table classifying the failures with respect to the group of states in which the banks were located. The results of liquidation in the New England, eastern, and middle states, where business has long been established are far better than in the southern, western, and Pacific states, where conditions are less settled. So in the case of city banks, and particularly in regard to those large institutions which have been well established for a long time, the chances of disaster are much less.

3. That city banks are strengthening their position is a conclusion that has been reached by a somewhat detailed examination of Tables I–

[1] Cf. *Bankers' Magazine* (New York), December 1898, vol. lvii. p. 972.

IV. The record of failures in the city banks has improved very much since the early years of the national banking system. Of late years the number of city banks in operation has been much greater, but the percentage of failures among banks of that class has been small compared with some of the earlier periods, notwithstanding the recent commercial crisis. To take one instance, there were twenty-one city failures involving capital to the amount of $10,480,000 during the decade 1871–1880. This period was characterized by a crisis, but the test was more severe during the years 1891–1897 when there were only twenty-two failures with a combined capital of $9,801,500. Yet there were almost twice as many city banks in operation, with 50 per cent. more capital in the latter than in the former period. The percentage of failed banks to banks in operation, in the city, will show a great relative advantage for the more recent period. It has been noted that the failures among city banks, have of late years been among those of the smaller class, and these records confirm the belief that the largest banks are continually increasing their strength. It follows that their ability to withstand any test which may come is becoming greater.

Table V shows that for every period before 1891–2 the proportion borne by the capital of insolvent city banks to the capital of the city banks in operation, was greater than the corresponding ratio among country banks, but since that time the advantage has turned to the side of the city. For most of the years since 1890 the proportion of capital of insolvent city banks to that of city banks in operation has been below the same ratio for the lowest period previous to 1891–2.

4. That city banks are better able to withstand a commercial crisis is a conclusion supported by the facts given in the preceding section. The percentages referred to in Table V show that it was the country banks that were particularly hard hit during the recent crisis. There were in the period 1891–1897 among country banks 192 failures, or almost two thirds of the total number of failures among banks of that class during the entire history of the national system. The combined capital of these 192 failures was $21,942,020, or about two thirds of the total amount involved in country failures in the national banking system. During this same period there were twenty-two city failures with a capital aggregating $9,801,500, or about two fifths of the total number of banks and amount of capital involved in failures during the entire history of the system.

During the decade 1871–1880 the city failures were almost as numerous as during the years 1891–1897, but in the former period there were only one fourth as many country failures as in the latter period. This exceptional situation was due in no measure to stringency among city banks. Speculation was running rife during the early seventies, and inflation was the cause of much of the disturbance. The record of this period seems to controvert our statement, but the city bankers were taught the necessity of paying stricter heed to their business. And the results of the late crisis show that bad banking principles have been to a large measure rooted out of the management of city banks. Banking associations in the city have developed their opportunities for strength since that earlier period, and it may now be said that they are able to withstand a crisis better than country banks.

Mutual support is afforded in the city by the use of clearing-house certificates and combined reserves. This has proven an effectual temporary expedient for relieving a bank that is hard pressed. No similar system has been found practicable among country banks. The pressure is undoubtedly more severe in the city but the means of meeting the extraordinary demands made upon their resources seems to be at the disposal of the city banks. It may justly be repeated that the city banks have proved themselves better able to brave a commercial and financial storm than the institutions in country places.

5. If these great banking institutions in the leading commercial centers of our country are better equipped with men and means for advancing the best business interests of the community, why not allow them to extend their benefits into the country districts? The rural community would in this manner get the advantages of the city banks at its door. The results of this study seem to indicate that the control of the banking interests of the country by the largest concerns in our national system would bring to the whole country the benefits of a safer management, more uniform rates of discount, and an extension of business in enterprises not feasible at present. Why should the customer of a bank object to knowing, when he deposited money with his banker, that his property was more secure; or why should he refuse to take loans on easier terms than at present? The question, whether or not a system of branch banks is best for this country, for other reasons than are here considered, does not fall within the scope of the present discussion; but a strong reason for the introduction of such a

system may be found in this study. It may be inferred from the results of our investigation that by such means insolvency would be reduced to a minimum, and when failure was unavoidable creditors would be safer than at present. It has been seen that the city stands above the country in the conditions favorable to the conduct of a safe banking business and it is to be expected that these advantages would be extended more broadly by the establishment of branch banks by the large city associations. As the conditions are more favorable in the city, this extension of the privileges of the city banks to the rural community seems desirable.

The records of insolvency have been considered with regard to the character of the business done by national banks in city and country. The results of the investigation may be briefly put in the following conclusions:

1. That the management of city banks is safer, since the character of their assets is better, and their ability to pay claims, when insolvent, is greater.

2. That among city banks the largest institutions are generally more carefully managed.

3. That the city banks are strengthening their position, failures being far less frequent among that class of banks now than in the early history of the national system.

4. That the city banks are better able to withstand a commercial crisis than country banks.

5. That, in view of the advantages found to be on the side of the city banks, a system of branch banks under the control of the large city associations would conduce to a safer banking business throughout the country, and so would be beneficial to the best commercial interests of the nation.

WARD A. CUTLER.

THE UNIVERSITY OF CHICAGO.